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Thailand

Grain and Feed

Cabinet Approval of Rice Mortgage Scheme

2008

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Report Highlights:

On June 10, the Cabinet approved the government's proposed mortgage scheme targeting 2.5 million tons of second-crop paddy and set intervention prices at 12,800 - 14,000 baht/ton (\$388 - 424/MT) which are 20 percent higher than market prices. The anticipated removal of the Vietnamese rice export ban and lower relative prices could channel much of the current new second-crop harvest into the Thai Government's intervention program.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Bangkok [TH1]
[TH]

On June 10, the Cabinet approved the government's proposed mortgage scheme targeting 2.5 million tons of second-crop paddy (TH8087), effective on June 15 – September 30, 2008. Intervention prices were set at 12,800 – 14,000 baht/ton (\$388 – 424/MT, 15% moisture content), which are approximately 20 percent higher than current market prices. Farmers will be able to redeem at three percent interest rate within 90 days.

The Government Intervention Prices of White Rice Paddy

Unit: Baht/ton

Quality	Crop Year					
	2005	2006	2007		2008	
	Second Crop	Second Crop	2006/07 Main Crop	Second Crop	2007/08 Main Crop	Second Crop
100% grade	6,700	7,100	6,500	6,600	6,700	14,000
5% grade	6,600	7,000	6,400	6,500	6,600	13,800
10% grade	6,500	6,900	6,300	6,400	6,500	13,600
15% grade	6,400	6,800	6,100	6,200	6,300	13,200
25% grade	6,300	6,700	5,900	6,000	6,100	12,800

Source: Department of Internal Trade, Thai Ministry of Commerce

The new intervention program will be operated by the Bank for Agricultural and Agricultural Cooperatives (BAAC), under the supervision of the Ministry of Finance, and in association with the Public Warehouse Organization (PWO) of the Commerce Ministry and the Marketing Organization for Farmer (MOF) of the Ministry of Agriculture and Cooperatives. PWO and MOF will provide storage facilities through their warehouses and private rice miller warehouses interested in participating in the program. The Government's budget for operating this program is set at 1,132 million baht (\$34 million).

Budget for the Operating Cost of the Program

Expenses by Item	Million Baht
Paddy storage and warehouse receipts	48.50
Overhead (45 baht/ton)	112.50
Rice storage (216 baht/ton for 6 mth.)	90.00
warehouse rent (120 baht/ton)	
Insurance (14 baht/ton)	
Surveyor (16 baht/ton)	
Quality control (36 baht/ton)	
Transportation (30 baht/ton, mills to warehouse)	
Interest rate compensation to BAAC	880.17
(based on MRR-1 or 6.5% interest rate of total loan of 25 billion baht for the period of June 15 - December 31, 2008)	
Farmer registration	1.00
Total	1,132.17

The BAAC plans to start the program on June 15, beginning with eight provinces where new second-crop harvest is underway. The program will be fully implemented by July. So far, there are 138 rice mills applying to participate in this program through PWO and MOF. Total 2007/08 second-crop production will likely reach 7-8 million tons of paddy due to acreage expansion, around 60-70 percent of which was harvested in March - May.

The program is currently attractive to farmers as intervention prices are expected to be higher than market prices through the end of the program, given ongoing downward pressure on global rice prices. Prices are expected to decline in the coming months as Vietnam is expected to relax its rice export ban next month. In addition, there are growing concerns that current devaluation of the Vietnamese currency could increase downward pressure on rice prices. Depending on

Vietnam's ability to supply world markets, lower relative prices could channel much of the current new second-crop harvest into the Thai Government's intervention program. New second-crop harvest is expected to reach 2.5-3 million tons.

Presently, outstanding old-crop intervention stocks total 1.9 million tons of rice (1.1 million tons are white rice). Meanwhile, new-crop (2008/09 main crop) intervention stock is approximately at 158,000 tons (of which 40,000 tons are white rice). The Government is now focusing on surveying existing stocks as it plans to release old-crop intervention stocks for export. However, the stock release plan has yet to be proposed to the Cabinet.

End of report